

MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23(1)(a) OF THE GAS ACT 1986

Whereas

1. National Grid Gas plc ("NGG") holds a gas transporter licence (the "licence") in respect of its National Transmission System ("NTS") granted or treated as granted pursuant to section 7 of the Gas Act 1986 (the "Act").
2. In accordance with section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gave notice on 21 January 2009 that it proposed to modify Special Condition C3 of the licence and required any objections or representations to the modification to be made on or before 18 February 2009. The notice set out the circumstances which had led to the modification being proposed.
3. Prior to the close of the consultation period the Authority received six responses, three of which referred specifically to the modification. One of those responses constituted a formal objection to the modification. All non-confidential responses have been placed in the Ofgem library and on the Ofgem website.
4. In accordance with section 23(4)(b) of the Act, the Authority gave notice that it proposed to make the modification to the Secretary of State on 21 January 2009 and has not received a direction not to make the modification.
5. NGG has given consent to the modification set out in the attached Schedule.
6. The Authority has carefully considered all responses received in relation to the proposed modification.
7. In accordance with section 38A of the Act the Authority gives the following reasons for making the licence modification: The effect of the licence modification is to enable the Authority to suspend the application of the prices specified in Special Condition C3 of the licence for the provision of Operating Margins services (OM) and/or the supply of LNG services to any DN Operator whose transportation system includes independent systems which are operated using LNG. In respect of LNG storage services for the provision of OM the exercise of the power conferred by the modification would facilitate competition in this area when the circumstances are right.

Further details of the reasons are published by the Authority in the following documents:

"Operating Margins (OM) Contestability", Ofgem, 20 February 2009.

"Operating Margins (OM) Contestability, Notice under sections 23 Gas Act 1986 to modify Special Condition C3 of the NGG NTS licence", Ofgem, 21 January 2009.

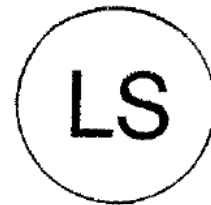
These documents are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at www.ofgem.gov.uk.

NOW THEREFORE

In accordance with the powers contained in section 23(1)(a) of the Act, the Authority hereby modifies the licence of NGG in respect of its NTS in the manner specified in the attached schedule with effect on and from 23 February 2009.

This document constitutes a notice of reasons for the decision to modify the special conditions of NGG's licence under section 38A of the Act.

The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of



Ian Marlee
Director, Trading Arrangements
Duly authorised on behalf of the Gas and Electricity Markets Authority

20 February 2009

SCHEDULE

MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986

Special Condition C3 - Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services

1. (a) The licensee shall ensure that the charges made by the licensee for:

- (i) the provision of Operating Margins; and
- (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG

for the relevant year commencing on 1 May 2008 and each subsequent relevant year are the charges set out in Tables 1 and 2 below.

(b) The Authority may direct in writing that the requirement set out in paragraph 1 (a) shall be suspended for such period of time as the Authority may specify in respect of (i) the provision of Operating Margins and/or (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG.

TABLE 1

LNG storage facility	Reserved space (pence per kWh per annum)	Reserved deliverability (pence per peak day kWh per annum)	Storage injection (pence per kWh)	Storage withdrawal (pence per kWh)
Glenmavis	A	E	0.349 * LNGSPIT _t	0.015 * LNGSPIT _t
Dynevor Arms	B	F	0.248 * LNGSPIT _t	0.021 * LNGSPIT _t
Avonmouth	C	G	0.238 * LNGSPIT _t	0.024 * LNGSPIT _t
Partington	D	H	0.323 * LNGSPIT _t	0.021 * LNGSPIT _t

Where:

- A equals a price in pence per kWh per annum which is the higher of 1.706 * LNGSPIT_t or 0.85 * WAHGPSS_t.
- B equals a price in pence per kWh per annum which is the higher of 2.840 * LNGSPIT_t or 0.85 * WAHDAPSS_t.
- C equals a price in pence per kWh per annum which is the higher of 1.463 * LNGSPIT_t or 0.85 * WAHAPSS_t.
- D equals a price in pence per kWh per annum which is the higher of 1.086 * LNGSPIT_t or 0.85 * WAHPPSS_t.
- E equals a price in pence per peak day kWh per annum which is the higher of 1.233 * LNGSPIT_t or 0.15*WAHGPSS_t.

F equals a price in pence per peak day kWh per annum which is the higher of $1.815 * LNGSPIT_t$ or $0.15 * WAHDAPSS_t$

G equals a price in pence per peak day kWh per annum which is the higher of $1.345 * LNGSPIT_t$ or $0.15 * WAHAPSS_t$

H equals a price in pence per peak day kWh per annum which is the higher of $0.994 * LNGSPIT_t$ or $0.15 * WAHPPSS_t$

$WAHGPPSS_t$ equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Glenmavis, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

$WAHDAPSS_t$ equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Dynevor Arms, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

$WAHAPSS_t$ equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Avonmouth, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

$WAHPPSS_t$ equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Partington, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

TABLE 2

TANKER CHARGES	
Glenmavis tanker filling slots	$£3437.50 * LNGSPIT_t$ per annum
Glenmavis tanker filling charge	$£250 * LNGSPIT_t$ per tanker filled or partially filled

$LNGSPIT_t$ is the price indexation adjustment term, which shall be calculated using the following formula:

$$LNGSPIT_t = \left(1 + \frac{RPI_t}{100}\right) \times LNGSPIT_{t-1}$$

where LNGSPIT shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and RPI_t shall be as follows:

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail prices index published or determined with respect to each of the six months from July to December (both inclusive) in relevant year t-1 and the arithmetic average of the retail prices index numbers published or determined with respect to the same months in relevant year t-2

2. For each relevant year for which, and to the extent to which, the licensee charges for the supply of LNG storage services in accordance with paragraph 1 of this condition the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that relevant year with the provisions of Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regard Charging Methodology).

3. The licensee shall provide a report in writing to the Authority stating the volume and price of all Storage Capacity sold in respect of each relevant year. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31 August following the end of the relevant year to which it relates.

4. In this condition "Operating Margins" and "Storage Capacity" shall bear the meaning given to those terms in the licensee's network code as at 16 March 2007.

5. For the purposes of this condition only "relevant year" means a period of twelve months commencing on 1 May at 06:00 hours.